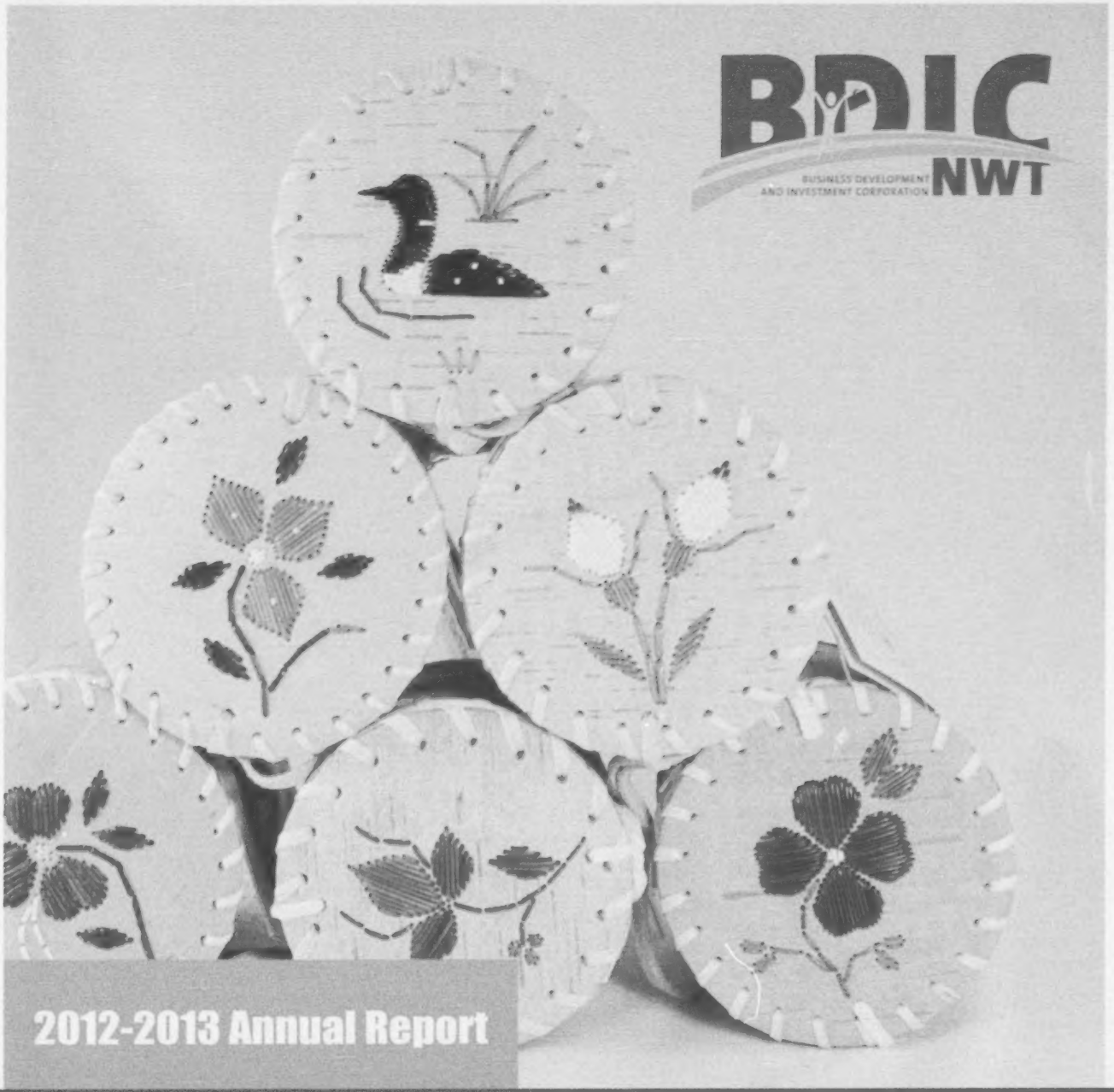


2012-2013 Annual Report

NWT Business Development and Investment Corporation

TABLE OF CONTENTS

1 Message from Chairperson and Chief Executive Officer

3 Corporate Governance and Management

3 Our Mandate

4 The BDIC's Board of Directors

5 Organizational Chart

6 Partnerships

7 2012 NEDP Conference

8 Programs & Activities

9 2012-2013 Highlights

11 Venture Investment Program

12 2012-2013 Outstanding Business Service Award

13 Subsidiary Program

14 Subsidiary Companies

15 Contribution Program

17 Written-Off and Forgiven Accounts

18 Business Services

20 Job Creation

21 Disbursements

25 Financial Statements

BDIC NWT

Northwest Territories Business Development and Investment Corporation

MESSAGE FROM THE CHAIR AND CEO

The Business Development and Investment Corporation's (BDIC) achievements are a reflection of the interests of the people we serve. We depend on the people's support as our successes link together.

This Annual Report speaks to BDIC's performance and of the confidence in our strategic priorities. Fundamentally, this report is about people, the passion and commitment of our Minister, our Board, our staff and the Northwest Territories (NWT) business community.

We work side by side with businesses while conscientiously managing public funds. We are business oriented people working for business people.

This year we extended our services by introducing client aftercare funding, reinforcing our subsidiaries by positioning their products in the retail market, and by building our subsidiaries' brands. For 2012-2013, some of the BDIC's key achievements include:

- Created over 36 direct jobs and 100 indirect jobs in NWT communities through the BDIC's subsidiary and venture programs.
- Increased the delivery of small business informational services to communities in the NWT through the internet.
- Approved 27 applications for support through the Business Development Project Fund (BDPF).
- Showcased and sold the BDIC's subsidiaries' products at 17 outlets in Ontario, Alberta, Newfoundland, British Columbia and Alaska.
- Organized the 2012 Northern Economic Development Practitioners Conference, which brought 100 economic development participants together to advance business development across NWT communities.

The BDIC strives to provide leadership in the economic development of the NWT. The North is recognized as a great place to do business and a great place to work and the BDIC is positioned to improve the economic prosperity of the NWT. We are focusing our collective efforts on growing the BDIC's services and client base by aggressively pursuing new opportunities for economic development. We actively participate in and support efforts to identify opportunities for continued resource development.

We are business oriented people working for business people.

The BDIC's strategic priorities are a statement of intent through which we turn our strategy into action and by which we then measure our success. Our overall approach to lending and investing is based on furthering economic development of the NWT.

Looking ahead to 2013-2014, we support the Government of the Northwest Territories' priorities of a diversified economy, a strong and independent North, and an effective government through our priorities of strengthening economic development, providing resources for capacity development and enhancing the BDIC's accountability. All the necessary elements for the continued success of the BDIC are in place to solidify our foundation for the business community in the NWT.

We would like to thank the Minister Responsible for the Northwest Territories Business Development and Investment Corporation, the Honourable David Ramsay, the Board of Directors, staff and the NWT business community for their continued commitment and support.

Pawan Chugh
Chief Executive Officer

Darrell Beaulieu
Chairperson

The BDIC strives to provide leadership in the economic development of the NWT. The North is recognized as a great place to do business and a great place to work and the BDIC is positioned to improve the economic prosperity of the NWT.

DARRELL BEAULIEU
CHAIRPERSON

PAWAN CHUGH
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE AND MANAGEMENT

Our Mandate

To support the economic objectives of the Government of the Northwest Territories in a manner that benefits the people and the economy of the Northwest Territories by:

a) *encouraging the creation and development of business enterprises;*
b) *providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;*
c) *directly investing in business enterprises; and*
d) *providing information to business enterprises and members of the public respecting*
  i) *the establishment and operation of businesses, and*
  ii) *other business matters.*

(BDIC Act)

Vision

An accountable and independent Crown Corporation providing resources for the economic development of the Northwest Territories.

Mission

To support the economy by encouraging the creation and development of businesses in communities.

We bring stakeholders together to enhance business capacity, sustain self-sufficiency and increase community prosperity.

The success of the vision and mission depend on an emphasis on business development to create long-term prosperity for the NWT. It is also recognized that a sustainable economy needs to be based on Northerners' capacity to establish and maintain successful businesses, allowing them to be self-reliant and to participate fully in the economic and social life of the NWT.

Long Term Goals

- Community Banking
- BDIC Outlets in every Community for Arts and Craftspeople
- Biennial Conferences for NWT Community Artists

The BDIC's Board of Directors

The BDIC's Board of Directors is appointed by the Minister responsible for the BDIC. The Board oversees the BDIC's affairs, takes into account sustainable development and capacity building when making decisions, and acts in accordance with ministerial directives. The Board establishes bylaws, policies, operational guidelines and committees.

The Board of Directors has established two committees consisting of Directors and external members; the Audit Committee and the Appeals Committee. These committees are delegated certain responsibilities to assist the Board of Directors in carrying out its fiduciary functions.

BDIC BOARD OF DIRECTORS	
Darrell Beaulieu - Chairperson	N'Dilo
Joanne Deneron - Director	Fort Liard
Charlie Furlong - Director	Aklavik
Ruby Landry - Director	Kakisa
Gwen Robak - Director	Hay River
Denny Rodgers - Director	Inuvik
Andy Wong - Director	Yellowknife
Warren Wright - Director	Norman Wells
Denise Yuhas - Vice Chairperson	Fort Smith

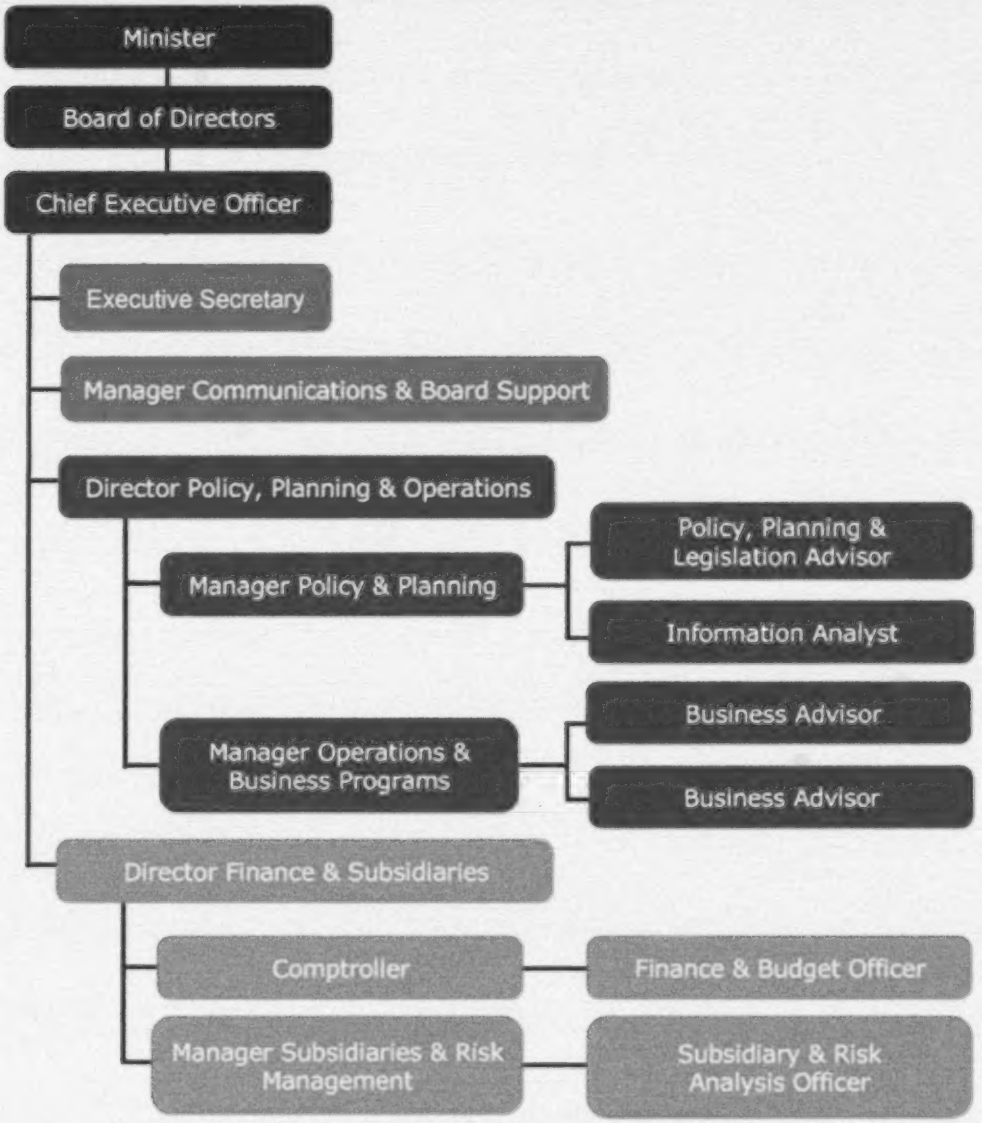
The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the performance process and the BDIC's process of monitoring compliance with laws, governing acts, regulations,directives and the code of conduct.

AUDIT COMMITTEE
Denise Yuhas, Chairperson
Joanne Deneron, Vice Chairperson
Rhona Stanislaus CGA, Member at Large
Louise Lavoie, Member representing GNWT Department of Finance

The Appeals Committee reviews appeals on credit facilities program applications rejected by the Application Review Committee or the Chief Executive Officer.

APPEALS COMMITTEE
BDIC Board Chairperson or Vice Chairperson
Any other two Board members

ORGANIZATIONAL CHART



Long Service Awards

In 2012-2013, three BDIC staff received Long Service Awards for their valued years of employment.

Brandi Burbidge (15 years)
Pawan Chugh (15 years)
Sherman Beal (5 years)

DARRELL BEAULIEU (LEFT) AND BRANDI BURBIDGE

PARTNERSHIPS

The BDIC works with regional business corporations and other partners to identify, improve, and expand economic development in the NWT.

BDIC and NWT Chamber of Commerce

Through their partnership, the BDIC and the NWT Chamber of Commerce promote business attraction, development and retention. This supports creating, maintaining and fostering employment in the NWT.

BDIC and Aurora College

Through their partnership, the BDIC and Aurora College provide courses in different business-related programs at Aurora College, with a focus to improve the knowledge and skills of students in the business and economic development program as well as to provide professional development to the BDIC's staff.

BDIC and the Canadian Northern Economic Development Agency (CanNor)

Through this partnership, the BDIC and CanNor deliver Canada Business NWT, the NWT branch of the Canada Business Network. This network assists entrepreneurs across Canada to start and grow their businesses by providing information on services, programs and regulations in the NWT.

BDIC and Department of Industry, Tourism and Investment (ITI)

The regional offices of ITI act as our agents to provide the BDIC's Credit Facilities Program across the NWT.

2012 NEDP CONFERENCE

The NEDP Conference is an internal forum focused on business and economic development. This is achieved by increasing the awareness of available programs and providing training and networking opportunities.

This year the BDIC successfully hosted the 5th biennial Northern Economic Development Practitioners (NEDP) Conference. Economic development practitioners from across the Northwest Territories at various levels of government participated.

The 2012 Conference took place from November 27th to the 29th. The Conference was a resounding success with over 86 participants and 13 speakers. The speakers presented on a variety of different topics ranging from financial analysis to motivational talks on entrepreneurship.

Helping businesses grow and prosper in the Northwest Territories.

NORTHERN ECONOMIC DEVELOPMENT PRACTITIONERS 2012 CONFERENCE

PROGRAMS & ACTIVITIES

The BDIC offers financial programs and business services to NWT businesses. The BDIC offers its programs to residents in all 33 NWT communities.

The BDIC provides support to Community Futures Development Corporations (CFDCs) in the NWT.

The BDIC partners with federal and territorial organizations to organize multi-stakeholder events to support economic development.

The BDIC engages its subsidiary companies to assist in the delivery of programs directly in the communities.

Financial Programs

Credit Facilities Program

The BDIC provides general term loans to northern businesses where conventional lending institutions are not prepared to lend and to businesses in communities where a commercial bank is not operating. The terms are flexible to meet the needs of individual clients.

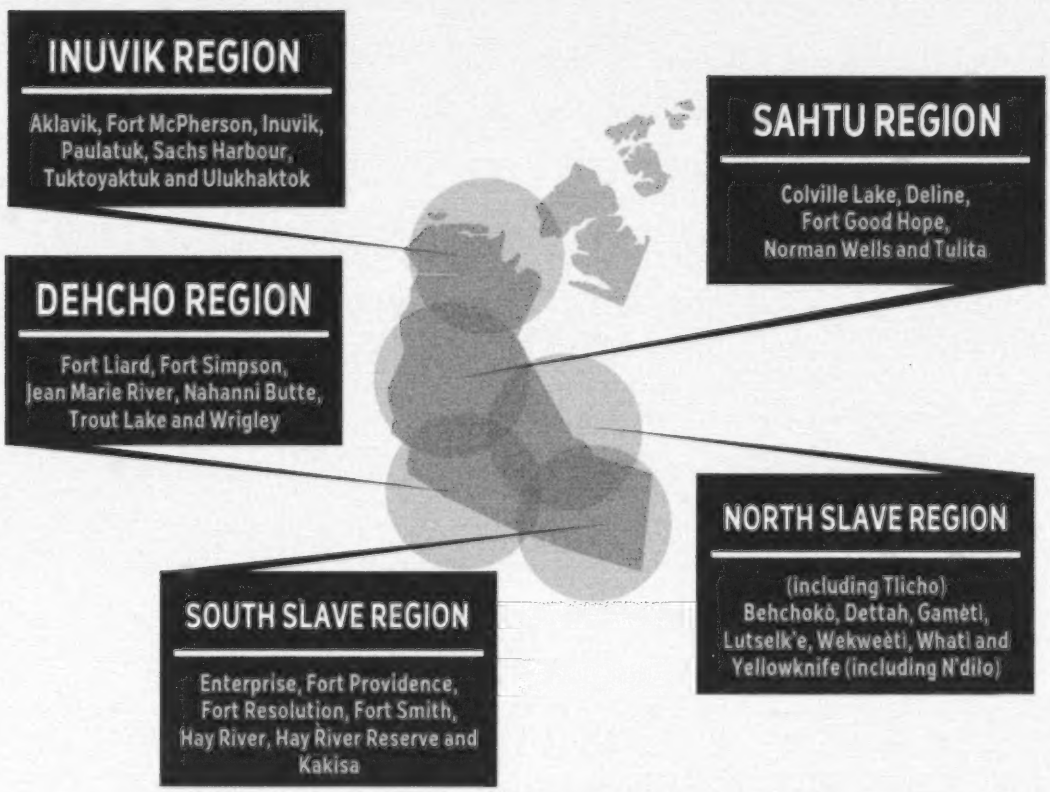
The BDIC also provides the following under the Credit Facilities Program:

Specialty Term Loans

- Winter/Summer Re-supply Financing
- Seasonal Production Financing

Standby Letters of Credit

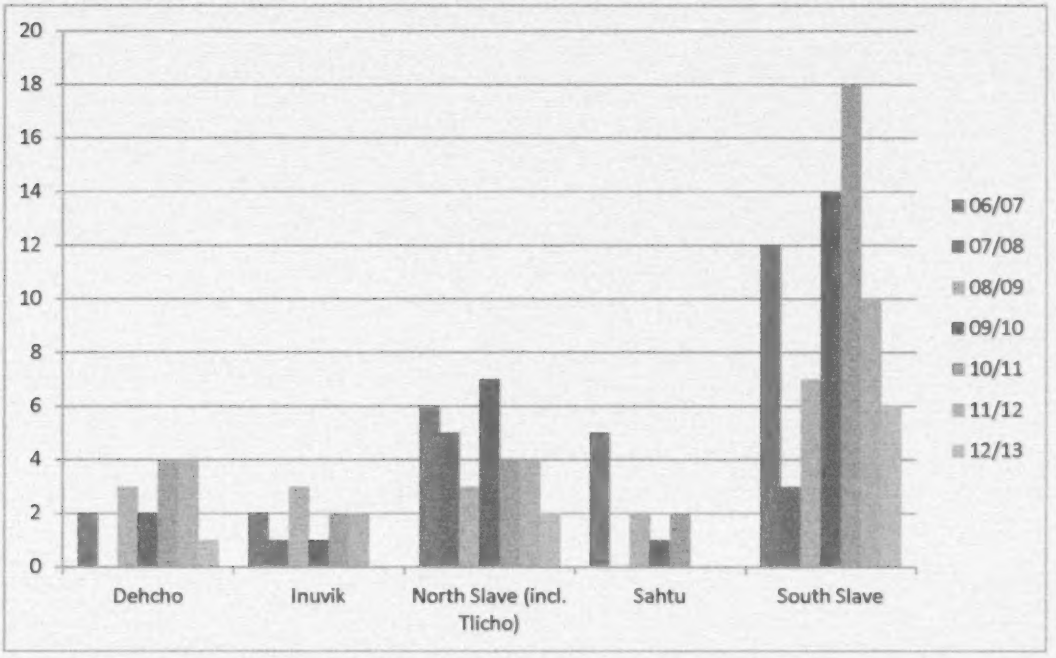
Working Capital Guarantees


INUVIK REGION
Aklavik, Fort McPherson, Inuvik, Paulatuk, Sachs Harbour, Tuktoyaktuk and Ulukhaktok
SAHTU REGION
Colville Lake, Deline, Fort Good Hope, Norman Wells and Tulita
DEHCHO REGION
Fort Liard, Fort Simpson, Jean Marie River, Nahanni Butte, Trout Lake and Wrigley
NORTH SLAVE REGION
(including Tlicho) Behchokǫ̀, Dettah, Gamètì, Lutselk'e, Wekweètì, Whatì and Yellowknife (including N'dilo)
SOUTH SLAVE REGION
Enterprise, Fort Providence, Fort Resolution, Fort Smith, Hay River, Hay River Reserve and Kakisa

2012-2013 HIGHLIGHTS

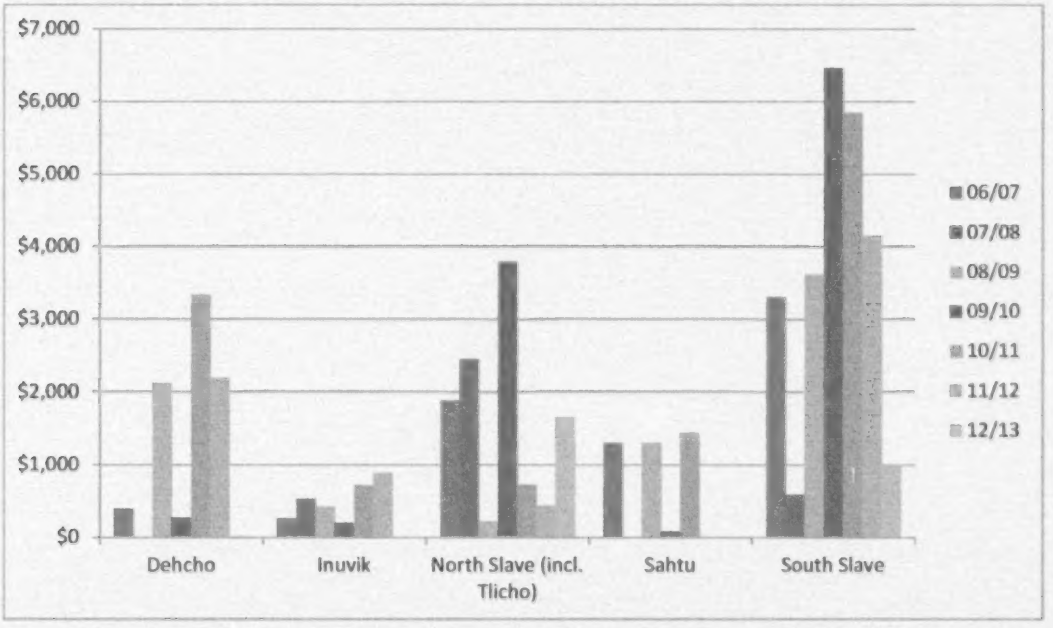
NUMBER OF APPROVED CREDIT FACILITIES BY REGION

(2006/2007 - 2012/2013)



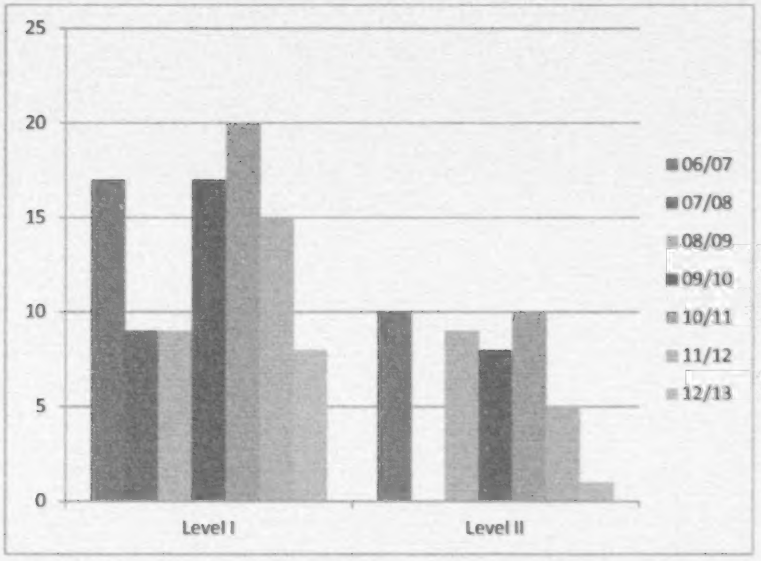
VALUE OF APPROVED CREDIT FACILITIES BY REGION

(2006/2007 - 2012/2013 in $000s)



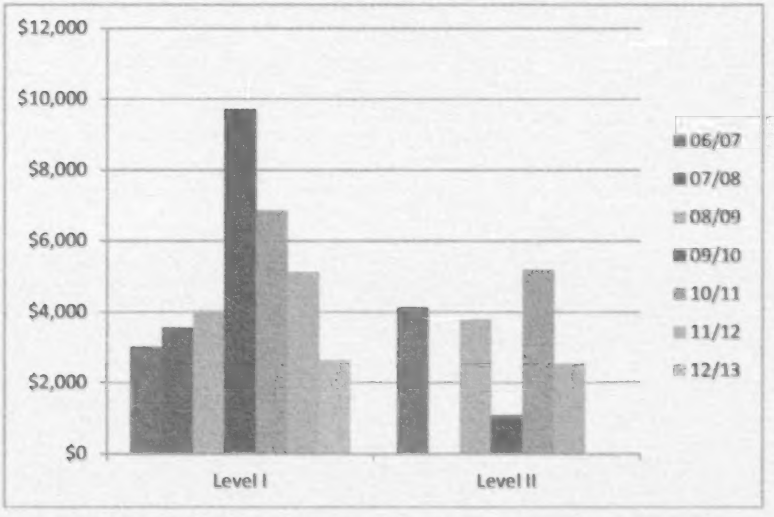
NUMBER OF APPROVED CREDIT FACILITIES BY COMMUNITY LEVEL

(2006/2007 - 2012/2013)



VALUE OF APPROVED CREDIT FACILITIES BY COMMUNITY LEVEL

(2006/2007 - 2012/2013 in $000s)



Note: in 2012/2013 the BDIC distributed $15,000 in credit facilities to level II communities.

LEVEL I COMMUNITIES

Communities with well developed business infrastructure and air/ road transportation links – Fort Smith, Hay River, Inuvik and Yellowknife.

LEVEL II COMMUNITIES

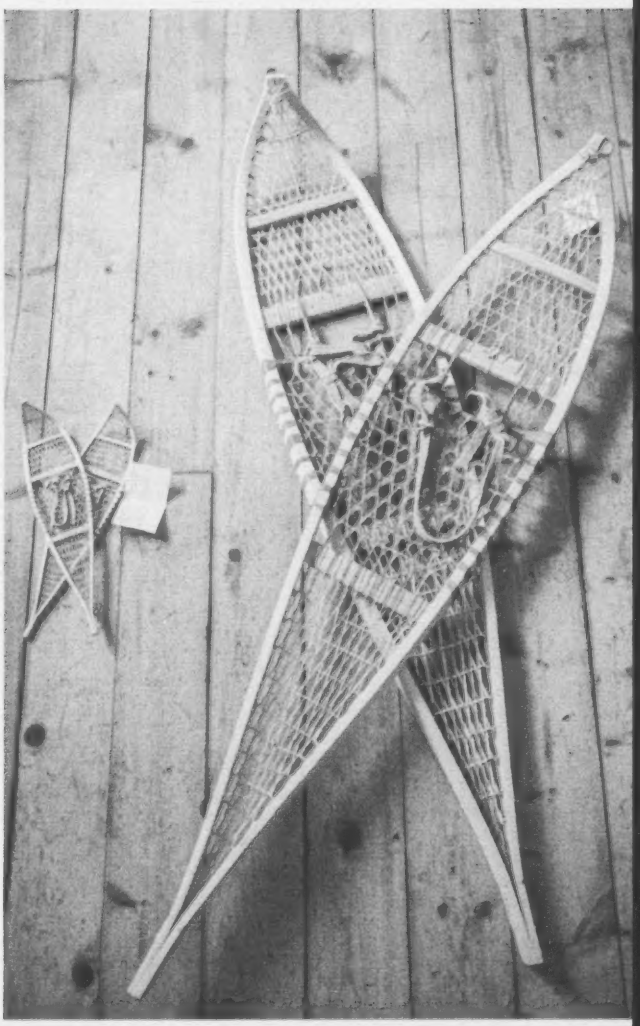
Communities with less developed business infrastructure and air/ road transportation links – all the communities not listed above.

Venture Investment Program

The BDIC invests in businesses through preferred share acquisitions. These investments are long-term in nature.

In 2012-2013, the BDIC had venture investments in:

VENTURE INVESTMENT	COMMUNITY
175119 Canada Inc. (o/a NWT Marine)	Yellowknife
5352 NWT Ltd. (o/a Snare Lake Lodge)	Wekweètì
Enodah Wilderness Travel Ltd.	Yellowknife
Holman Eskimo Co-operative	Ulukhaktok
Kunnek Resource Development Corporation	Inuvik
North Nahanni Naturalist Lodge Ltd.	Fort Simpson
Paulette & Clarke Renovations Ltd.	Fort Smith
Tri-Vanguard Ka'nages Pictures Ltd.	Yellowknife



2012-2013 BDIC Outstanding Business Performance Award

The BDIC established the annual Outstanding Business Performance Award in 2010 to recognize clients who have accomplished commercial success and sustainable growth. The 2012-2013 winner of the Outstanding Business Performance Award was Poison Graphics. The Minister responsible for the BDIC, the Honourable David Ramsay, presented the award to the owner Wally Schumann on November 27, 2012.

Poison Graphics, formerly Poison Painting, was incorporated in 2001. The company was initially established as an automotive shop. In 2006, the company expanded and diversified into the sign manufacturing business. Poison Graphics employs 4-5 full time positions which are located in Hay River.

Since 2002, the company has been approved for four loans with the BDIC; a loan in December 2002 to establish an automotive business and a loan in March 2007 to diversify into sign manufacturing, followed by two loans in May 2010 and January 2011; both to purchase additional equipment to allow for further expansion in the sign manufacturing business.

Poison Graphics continues to succeed by putting their customers first and providing quality products and top class service.

Congratulations to Wally Schumann of Poison Graphics, the 2012-2013 winner of BDIC's Outstanding Business Performance Award. The BDIC wishes Poison Graphics continued success.

MR. SCHUMANN (LEFT) AND MINISTER RAMSAY

Subsidiary Program

The BDIC owns eight subsidiary companies. These companies provide unique commercial opportunities and essential services in the local communities. Services provided range from supporting the production of arts, crafts, and knit products; to operation of a manufacturing business; to the provision of groceries and other essential products.

Extensive efforts were made during the year by Arctic Canada Trading Company Ltd. and through e-commerce in promoting, marketing and the sale of the subsidiaries' products resulting in furthered success.

Total sales of $110,000 were generated through the efforts of Arctic Canada Trading Company Ltd. during the fiscal year of which $34,000 were processed directly and $76,000 were passed on to the subsidiaries.

The BDIC provides its subsidiaries with funds for operations, new facilities and equipment so that the subsidiaries can create and/or maintain employment in their community. The BDIC also provides a range of support services to its subsidiaries including accounting, marketing, e-commerce and general operational support. Several BDIC subsidiaries promote traditional fine arts and craft activities and the use of traditional materials, which helps support the local economy.

The Arctic Canada Trading Company has generated over $110,000 in sales on behalf of the BDIC's subsidiary companies.

Online sales generated half of these total sales. The other half were made though retailers, including:

- 7 in Ontario
- 3 in Alberta
- 1 in Newfoundland
- 4 in British Columbia
- 2 in Alaska

BDIC Subsidiary Companies

INVESTMENT	YEAR INCORPORATED	ABOUT
6355 NWT Ltd. (Muskox subsidiary)	2011	Located in Sachs Harbour, this subsidiary commercially harvests muskox and sells the products.
5983 NWT Ltd. (Ulukhaktok Arts Centre)	2008	Located in Ulukhaktok, this subsidiary purchases and produces arts and crafts for wholesale and retail. Key products include knit qiviut, Inuit carvings, and Inuit prints.
Aklavik & Tuktoyaktuk Furs Ltd.	1997	Located in Tuktoyaktuk, this subsidiary was shut down March 31, 1999. The building in Tuktoyaktuk is the only remaining asset.
Arctic Canada Trading Co. Ltd.	1997	Located in Yellowknife, this subsidiary markets and promotes the products of the other BDIC subsidiaries.
Dene Fur Clouds Ltd.	1997	Located in Fort Providence, this subsidiary produces knit fur garments and home accessories.
Acho Dene Native Crafts Ltd.	1992	Located in Fort Liard, this subsidiary produces and purchases traditional arts and crafts for wholesale and retail. Key products include birch bark baskets, mukluks, and moccasins.
Nahanni Butte General Store Ltd.	1992	Located in Nahanni Butte, this subsidiary serves as a grocery store in the community.
913044 NWT Ltd. (Fort McPherson Tent & Canvas Shop)	1991	Located in Fort McPherson, this subsidiary produces canvas wall tents, tipis, and a line of cordura nylon soft-sided luggage and bags.

Contribution Programs

The BDIC provides financial assistance to bolster economic development, increase job creation, and to promote the start-up and expansion of small businesses in the NWT.

Business Development Project Fund

Through the Business Development Project Fund (BDPF) the BDIC assists small businesses with:

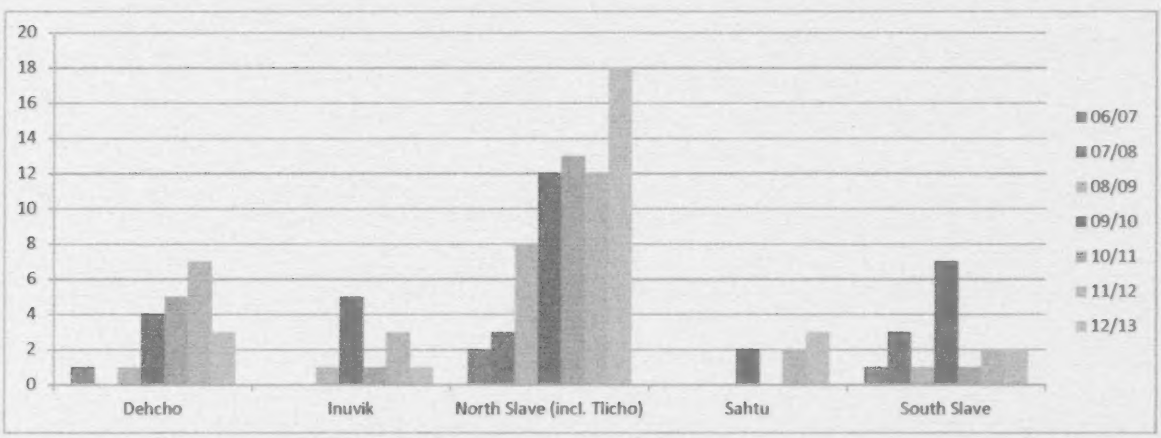
- start-up expenses including assets, marketing, feasibility assessments, business plans and research projects;
- expansion expenses for businesses in level II communities;
- expansion expenses for businesses in level I communities to create new employment;
- raw materials for arts and crafts production; and
- short-term projects that create employment opportunities.

BDPF APPLICATIONS

YEAR	# APPROVED	$ APPROVED ($000s)
2006/07	4	$26
2007/08	6	$34
2008/09	11	$99
2009/10	30	$246
2010/11	20	$165
2011/12	26	$257
2012/13	27	$245

NUMBER OF APPROVED CONTRIBUTIONS BY REGION

(2006/2007 - 2012/2013)



Aftercare Funding

The BDIC also provides small business aftercare funding through the BDPF program for:

- the purchase of accounting software
- fees associated with training in an accredited business or accounting program
- fees and travel costs associated with business education seminars promoted by the BDIC
- fees associated with succession planning (for example, tax advice for selling a business, strategies for selling a business)

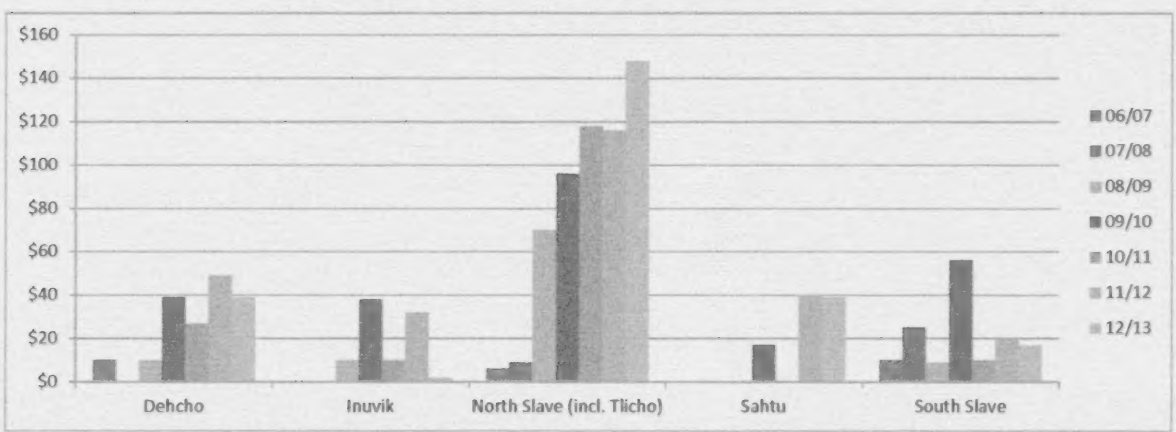
Eligibility

To obtain BDPF program funding with the BDIC, a small business must demonstrate:

- the need for funding
- the proposed expenditures are necessary and substantiated
- a commitment to the creation, development and sustainability of the business

VALUE OF APPROVED CONTRIBUTIONS BY REGION

(2006/2007 - 2012/2013 in $000s)



Written-Off and Forgiven Accounts

The BDIC Board of Directors may approve the write-off of its accounts under $20,000. Write-offs over $20,000 can only be approved by the Legislative Assembly of the NWT. Accounts that are written-off can still be collected but are assigned zero value in the BDIC's financial statements.

When an account is forgiven, it has zero value in the BDIC's financial statements and the BDIC no longer collects the amount owing. Accounts under $1,000 may be approved for forgiveness by the Financial Management Board. Accounts over $1,000 can only be approved for forgiveness by the Legislative Assembly of the NWT.

In 2012-2013 the BDIC did not have any accounts that were forgiven and only one account was written-off by the Board of Directors.

BDIC WRITE-OFFS AND FORGIVENESS ACCOUNTS

(2012 - 2013)

NAME	AMOUNT
Written-off by Board of Directors	
902811 NWT Ltd.	$4,591.68

Business Services

The BDIC offers information to support potential and existing clients.

These services are available through Canada Business NWT (CBNWT), which is operated in partnership with CanNor.

CBNWT provides the public a wide range of free information on small business programs, services and applicable laws. Its mission is to contribute to economic growth by ensuring that business people in every part of the NWT have access to accurate, timely and relevant business information through a convenient single window.

Canada Business NWT provides the following services:

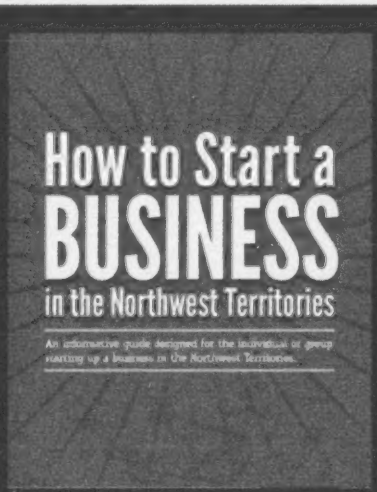
- CBNWT publications with NWT specific business information available in person and via mail to communities.
- Free web and video conference business learning sessions.
- Business resource library that is available to browse online and have shipped to any community in the NWT.
- A 1-800 number for clients across the NWT to call toll-free and be directed to provincial and territorial specific business advice and information.

All services are now available online (canadabusiness.ca or bdic.ca/canada-business-nwt) as well as through mail out by request, in person at the BDIC's headquarters or at regional Community Futures partners.

During the 2012-13 fiscal year, CBNWT responded to a total of 224 inquiries received by telephone, email, and in-person visits. CBNWT also offered 42 video conference sessions on topics such as e-commerce, understanding your business financial statements, business planning, tax tips and financing for Aboriginal entrepreneurs.

How to Start a Business in the NWT

In 2012-2013, CBNWT made its guide, "*How to Start a Business in the NWT*", available online. The booklet and online resource gives prospective entrepreneurs the information they need to start a business in the North.



Community Futures Development Corporations

Community Futures Development Corporations (CFDCs) support community economic development and diversification and the creation and maintenance of small and medium-sized businesses. The BDIC provides support to CFDCs in the NWT by coordinating partnerships and capacity building events and by lending loan capital to supplement their capital reserves.

The Community Futures Development Corporations are:

- The Dehcho Business Development Centre in Fort Simpson
- Thebacha Business Development Services Inc. in Fort Smith
- Akaitcho Business Development Corporation in N'Dilo
- The Southwest Territorial Business Development Corporation in Hay River
- Western Arctic Business Development Services in Inuvik
- The Sahtu Business Development Centre in Norman Wells
- The Dogrib Area Community Futures in Whatì

ULUKHAKTOK, NT

JOB CREATION

In 2012-2013, the BDIC's venture investments and subsidiaries created or maintained 36.59 direct jobs and 7 indirect jobs, for a total of 43.59 full-time equivalent jobs. Not included in this number is the over 100 artists and craftspeople who participate in these programs working from their homes.

Indirect jobs are calculated using the NWT Bureau of Statistics Input Output Model, which measures employment contribution. In addition to the Model, the subsidiaries purchase arts, crafts, carvings and prints from local artists, carvers, print-makers and producers which further bolsters the local economy. During the year, Acho Dene Native Crafts Ltd. and 5983 NWT Ltd. (Ulukhaktok Arts Centre) purchased $106,000 of supplies and products from local residents.

The above data does not include jobs created through other programs - like loans - offered by the BDIC.

Over 100 cottage craft producers are indirectly employed though the BDIC's subsidiaries. This includes artisans such as print makers, beaders, carvers, seamstresses and basket makers.

INVESTMENT	DIRECT JOBS
6355 NWT Ltd. (Muskox subsidiary)	0.41
5983 NWT Ltd. (Ulukhaktok Arts Centre)	1.54
Acho Dene Native Crafts Ltd.	1.43
Dene Fur Clouds Ltd.	3.78
913044 NWT Ltd. (Fort McPherson Tent & Canvas Shop)	3.77
Nahanni Butte General Store Ltd.	1.66
Venture Investments	24.00
Total jobs created or maintained	36.59

INDIRECT JOBS	
Subsidiaries	3.00
Venture Investments	4.00
Total	7.00

DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2012-2013 fiscal year.

Name of Business	Owners	Community	Financial Program	Total Amount Disbursed
4842 NT Ltd. (o/a AJ's Electrical)	Bev Schaefer, Allen Schaefer	Hay River	Credit	181,500.00
4928 NWT Ltd. (o/a Poison Painting)	Wally Schumann	Hay River	Credit	131,998.00
5366 NWT Ltd. (o/a Lou's Small Engine (2003)	Blaine Walterhouse	Fort Smith	Credit	697,000.00
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	NWT BDIC	Ulukhaktok	Subsidy	100,000.00
6355 NWT Ltd.	NWT BDIC	Sachs Harbour	Subsidy	50,000.00
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas Shop)	NWT BDIC	Fort McPherson	Subsidy	85,000.00
Acho Dene Native Crafts	NWT BDIC	Fort Liard	Subsidy	125,000.00
Arctic Canada Trading Company Ltd.	NWT BDIC	Yellowknife	Subsidy	50,000.00
Bear Rock Taxi and Transport Services	W Lennie, R Yallee	Tulita	Contribution	20,000.00
Bloudov, Maxim (o/a Maximum Limit Productions)	Maxim Bloudov	Yellowknife	Contribution	1,749.84
Bourque, Naomi (o/a Naomi Bourque Jewelry)	Naomi Borque	Yellowknife	Contribution	7,106.98
Braden, Carmen (o/a Black Ice Sound)	Carman Braden	Yellowknife	Contribution	9,876.15
Carthew, Kristen	Kristen Carthew	Yellowknife	Contribution	9,614.46
Chalifoux, David	David Chalifoux	Yellowknife	Contribution	10,000.00
Clement, Daniel (o/a KC Services)	Daniel Clement	Tuilta	Contribution	17,659.41
Community Futures Development Corporation of the Dehcho		Fort Simpson	Credit	210,000.00
Deh Cho Executive Suites	Kirby Groat, Wendy Groat	Fort Simpson	Credit	132,951.61
Dene Fur Clouds	NWT BDIC	Fort Providence	Subsidy	170,000.00

DISBURSEMENTS

Dezron Promotional Advertising	Meika McDonald	Fort Smith	Credit	11,170.86
Duchene, Natasha	Natasha Duchene	Yellowknife	Contribution	6,225.00
Energy Wall & Building Products Ltd.	Marta Simek de Jorge, Manuel Jorge	Yellowknife	Credit	1,599,881.08
Forsbloom, Bonnie (o/a Due North Services)	Bonnie Forsbloom	Yellowknife	Contribution	9,938.15
Francoeur, Sylvie (o/a Ayni Conceptions)	Sylvie Francoeur	Yellowknife	Contribution	9,778.88
GFB Ventures Ltd	Kelly Schofield, Taralynn Schofield	Hay River	Credit	360,000.00
Grobbecker, Amanda (o/a Jump A Bunch)	Amanda Grobbecker	Yellowknife	Contribution	7,750.56
Haywood, Jayne	Jayne Haywood	Hay River	Credit	135,000.00
Hill, Adam (o/a Adam Hill Studio)	Cyril (Adam) Hill	Hay River	Contribution	6,396.15
Hobart & Mum Inc.	Jane Hobart	Fort Smith	Credit	200,000.00
Jacquard, Larry (o/a Villa Imports)	Larry Jacquard	Yellowknife	Contribution	3,800.00
KP Woodwright Ltd.	Ken Wray, Patricia Wray	Hay River	Credit	25,200.00
Leenhouts, Kenneth (o/a Action Auto Service)	Kenneth Leenhouts	Yellowknife	Contribution	10,000.00
Marsh, Brandon (o/a RAD New Media)	Brandon Marsh	Yellowknife	Contribution	5,269.47
Martselos Services Ltd.	Frieda Martselos, Peter Martselos	Fort Smith	Credit	939,000.00
Mason, Sheldon (o/a Border Painting)	Sheldon Mason	Yellowknife	Contribution	9,875.00
Morgan's Mechancial Ltd.	Kirsty Dupuis, Morgan Dupuis	Hay River	Credit	364,291.00
Mrak, Kerrie (o/a Kerrie Mrak Massage Therepy)	Kerrie Mrak	Yellowknife	Contribution	6,178.02
Nahanni Butte General Store Ltd.	NWT BDIC	Nahanni	Subsidy	335,000.00
Newbigging, Tara	Tara Newbigging	Yellowknife	Contribution	9,714.10
Punch, Phoebe Rose	Phoebe Rose Punch	Trout Lake	Contribution	15,137.00
Rat River Development Corporation Ltd.	Tetlit Gwich'in Council	Fort McPherson	Contribution	20,000.00

DISBURSEMENTS

Sawatzky, Erin & Ryan (o/a PropertyGuys.com)	Erin Sawatzky, Ryan Sawatzky	Yellowknife	Contribution	10,000.00
Sibbeston, Darlene (o/a Xih Shets'etih)	Darlene Sibbeston	Fort Simpson	Contribution	972.30
Storvold, Linnea (o/a Linnea Studios)	Linnea Storvold	Hay River	Contribution	8,688.47
Taylor, Derrald	Derrald Taylor	Yellowknife	Contribution	3,929.54
Taylor, Erin	Erin Taylor	Yellowknife	Contribution	1,731.67
Thebacha Helicopters Ltd.	KP Ventures Group, Kim Hornsby, Phil Hornsby	Fort Smith	Credit	500,000.00
Unka, Rueben (o/a SSR Contracting)	Rueben Unka	Fort Simpson	Contribution	18,636.00
Villebrun, Greta	Greta Villebrun	Tsiigehtchic	Contribution	2,220.60
			Total:	$6,645,240.30

BDIC
NWT

FINANCIAL STATEMENTS

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2013

Northwest Territories Business Development and Investment Corporation

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those that are most appropriate. Where required, management's best estimates and judgement have been applied in the preparation of these consolidated financial statements.

In discharging its responsibility for the integrity, fairness and quality of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules. These controls and practices help to ensure the orderly conduct of business, the accuracy of the accounting records, the timely preparation of financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of directors who are not employees of the Corporation. The Audit Committee meets with management on a regular basis. The external auditors also have full and free access to the Audit Committee.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and consolidated financial statements of the Corporation and for issuing his report thereon.

Pawan Chugh
Chief Executive Officer

Leonard Kwong
Director, Finance and Subsidiaries

August 26, 2013

INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Business Development and Investment Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

.../2

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Business Development and Investment Corporation as at 31 March 2013, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Northwest Territories Business Development and Investment Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Business Development and Investment Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Business Development and Investment Corporation Act* and regulations, and the by-laws of the Northwest Territories Business Development and Investment Corporation.

Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

26 August 2013
Edmonton, Canada

	Page
Consolidated Statement of Financial Position	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Operations and Accumulated Surplus	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 28
Schedule A – Consolidated Schedule of Tangible Capital Assets	29

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)

	March 31, 2013	March 31, 2012
	$	$
Financial Assets		
Cash (Note 3)	13,931	13,010
Accounts receivable	169	113
Inventories held for resale (Note 4)	343	585
Loans receivable (Notes 5 and 6)	37,511	37,741
Venture investments (Note 7)	78	91
Asset held for sale (Note 8)	-	130
	52,032	51,670
Liabilities		
Accounts payable and accrued liabilities (Note 13)	1,137	818
Post-employment benefits (Note 9)	419	405
Advances from the Government (Note 10)	30,372	32,203
Asset retirement obligations (Note 11)	265	105
Environmental liability (Note 12)	-	35
	32,193	33,566
Net financial assets	19,839	18,104
Non-financial assets		
Tangible capital assets (Schedule A)	466	605
Inventories held for use (Note 4)	157	231
Prepaid expenses	20	31
	643	867
Accumulated surplus	**20,482**	**18,971**

Commitments and contingencies (Notes 15 and 16)

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Approved by:

Darrell Beaulieu
Chairperson of the Board of Directors

Denise Yuhas
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Change in Net Financial Assets (000's)

For the year ended March 31	Budget 2013	Actual 2013	Actual 2012
	$	$	$
Annual surplus	950	1,511	2,130
Acquisition of tangible capital assets	-	(12)	(339)
Amortization of tangible capital assets	145	127	143
Loss on disposal of tangible capital assets	-	12	-
Proceeds on sale of tangible capital assets	-	1	-
Write-down of tangible capital assets	-	11	-
	145	139	(196)
Acquisition of inventories held for use	-	(123)	(146)
Acquisition of prepaid expenses	-	(30)	(28)
Use of inventories held for use	(50)	197	68
Use of prepaid expenses	-	41	5
	(50)	85	(101)
Increase in net financial assets	1,045	1,735	1,833
Net financial assets, beginning of year	18,104	18,104	16,271
Net financial assets, end of year	**19,149**	**19,839**	**18,104**

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations and Accumulated Surplus (000's)

For the year ended March 31	Budget 2013	Actual 2013	Actual 2012
	$	$	$
Revenues			
Interest on loans receivable	2,010	2,099	2,078
Sales and other income	1,177	895	906
Interest on pooled cash (Note 3)	149	156	162
Recovery of venture investments	15	114	50
Dividends	8	16	28
	3,359	3,280	3,224
Government transfers (Note 13)	4,786	4,679	4,837
	8,145	7,959	8,061
Expenses (Note 14)			
Lending and investments	4,900	3,908	3,798
Retail and manufacturing	2,295	2,540	2,133
	7,195	6,448	5,931
Annual surplus	950	1,511	2,130
Accumulated surplus, beginning of year	**18,971**	**18,971**	**16,841**
Accumulated surplus, end of year	**19,921**	**20,482**	**18,971**

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Cash Flows (000's)

For the year ended March 31	2013	2012
	$	$
Operating transactions		
Cash received from:		
Governments	3,897	3,883
Customers	953	1,229
Interest	2,058	1,959
Dividends	8	6
	6,916	7,077
Cash paid for:		
Compensation and benefits	2,273	2,504
Payments to suppliers	1,947	1,754
Grants and contributions	242	243
	4,462	4,501
Cash provided by operating transactions	**2,454**	**2,576**
Capital transactions		
Acquisition of tangible capital assets	(12)	(217)
Proceeds on sale of tangible capital assets	1	-
Cash used for capital transactions	**(11)**	**(217)**
Investing transactions		
Loans receivable disbursed	(4,366)	(5,352)
Loans receivable repaid	4,792	5,050
Redemptions of venture investments	127	63
Proceeds on sale of asset held for sale	125	7
Cash provided by (used for) investing transactions	**678**	**(232)**
Financing transactions		
Repayment of advances from the Government	(2,200)	(3,000)
Cash used for financing transactions	**(2,200)**	**(3,000)**
Increase (decrease) in cash	**921**	**(873)**
Cash, beginning of year	13,010	13,883
Cash, end of year	**13,931**	**13,010**

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

1. The Corporation

(a) Authority

The Northwest Territories Business Development and Investment Corporation (the Corporation) was established on April 1, 2005 pursuant to the *Northwest Territories Business Development and Investment Corporation Act* (the Act).

The Corporation is a territorial corporation of the Government of the Northwest Territories (the Government) named in Schedule B of the *Financial Administration Act* (the FAA). Accordingly, the Corporation operates in accordance with Part IX of the FAA, the Act and its regulations, and any directives issued to it by the Minister responsible for the Corporation under Section 4 of the Act.

(b) Mandate

The mandate of the Corporation is to support the economic objectives of the Government by encouraging the creation and development of business enterprises in the Northwest Territories and by providing information and financial assistance to, and making investments in, such enterprises.

(c) Government transfers and advances

In accordance with Section 30 of the Act, the Corporation must annually submit a corporate plan, operating budget and capital budget identifying the transfers requested from the Government for approval by the Financial Management Board (the FMB) prior to the commencement of the fiscal year. The transfers received from the Government are for the purposes of financing the Corporation's general operations; making capital investments in, and providing working capital advances and operating subsidies to, business enterprises based on need; providing transfers for business development projects; and purchasing tangible capital assets for the Corporation. The transfers are repayable to the Government if not completely spent within the fiscal year in which they were provided.

The Corporation and its organizations are economically dependent upon the transfers received from the Government for their ongoing operations.

Section 26 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding $150 million for the purposes of providing financial assistance to, or making investments in, business enterprises. These advances are repayable to the Government on demand.

(d) Taxes

The Corporation and its organizations are exempt from the payment of municipal and territorial taxes pursuant to Section 35 of the Act and federal income tax pursuant to Section 149 of the *Income Tax Act* of Canada.

(e) Budget

The consolidated budget figures have been derived from the budgets approved by the FMB and the Corporation's board of directors. Other budgeted amounts have been approved by the Corporation's senior management.

2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (the PSAB) of the Canadian Institute of Chartered Accountants (the CICA).

(a) Measurement uncertainty

The preparation of the consolidated financial statements, in accordance with PSAS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable.

The more significant estimates relate to the determination of the allowance for credit losses, the useful lives of tangible capital assets, the provision for termination and removal benefits, environmental liabilities, asset retirement obligations, and services received without charge. A variation in the quality of the loan portfolio or economic conditions under which these estimates are made could result in significant changes in these management estimates.

The significant accounting policies followed by the Corporation in the preparation of these consolidated financial statements are summarized below:

(b) Principles of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity, which includes the Corporation and the organizations it controls. All inter-entity transactions and balances have been eliminated upon consolidation. These consolidated financial statements include the accounts of the following organizations:

Organization	Location	Percentage Ownership	Incorporation Date
Light manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NT	100%	September 25, 1991
Aklavik & Tuktoyaktuk Furs Ltd.	Tuktoyaktuk, NT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NT	100%	December 18, 1997
Fine arts and souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NT	100%	October 15, 1992
5983 N.W.T. Ltd. (o/a Ulukhaktok Arts Centre)	Ulukhaktok, NT	100%	February 12, 2008
Wholesale/retail stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NT	51%	October 15, 1992
Muskox Harvesting			
6355 N.W.T. Ltd.	Sach's Harbour, NT	100%	May 12, 2011

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The non-controlling interest in the organization the Corporation does not wholly own is reduced by the losses applicable to the non-controlling interest. Accumulated losses applicable to the non-controlling interest that exceed the non-controlling interest's capital investment are allocated to the Corporation's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the Corporation's previously absorbed losses are recovered. The Corporation has provided significant financial subsidies to Nahanni Butte General Store Ltd. for many years. The organization is financially dependent on these subsidies. The subsidy provided for fiscal 2013 was $335,000 (2012: $125,000). The Corporation has been approved to provide a subsidy up to $125,000 for fiscal 2014.

(c) Cash

Cash is comprised of bank account balances (net of outstanding cheques). Surplus cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets which can be withdrawn at any time, and are not restricted by maturity dates on investments made by the Government. Cash also includes funds and reserves subject to restrictions as described in Note 3.

(d) Inventories

Inventories held for resale consist of finished goods and are carried at the lower of cost and net realizable value, with cost being determined on a first in, first out basis. Inventories held for use consists of raw materials and work-in-process and are carried at the lower of cost and net realizable value, with cost determined on a first in, first out basis.

(e) Loans receivable

Loans receivable are initially recorded at amortized cost. Valuation allowances are used to adjust the carrying amount of loans receivable to the lower of cost and net recoverable value. Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. When payment is three months past due (unless the loan is fully secured), or six months past due (regardless of whether or not the loan is fully secured), the underlying loan is classified as impaired.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net recoverable value through an adjustment to the allowance for credit losses. Changes in the estimated net recoverable value arising subsequent to initial impairment are adjusted through the allowance for credit losses.

Interest income is recorded on an accrual basis using the effective interest rate method until such time as the loan is classified as impaired. All payments received (i.e. recoveries) on an impaired loan are credited against the carrying amount of the loan and recorded as an adjustment to the allowance for credit losses. The loan reverts to performing status when all provisions for credit losses are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured. At that time, previously non-accrued interest income is recognized as interest income.

2. Summary of significant accounting policies (continued)

(e) Loans receivable (continued)

Under the provisions of the FAA, an account (loan or venture investment) can only be approved for write-off by either the Board of Directors ($20,000 or less) or the Legislative Assembly (over $20,000). An account that has been written off is still subject to collection action. An account can only be approved for forgiveness by the FMB ($1,000 or less) or the Legislative Assembly (over $1,000). Once an account has been forgiven, no further collection action is possible.

(f) Allowance for credit losses

The allowance for credit losses represents management's best estimate of the probable credit losses existing in the loan portfolio. In determining the allowance for credit losses, management segregates probable credit losses into two components: specific and general.

The specific allowance is established on an individual loan basis to recognize credit losses. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated net recoverable value by discounting the expected future cash flows at the effective interest rate inherent in the loan. If the expected future cash flows cannot be reasonably determined, the fair value of the underlying security of the loan is used to determine net recoverable value.

The general allowance is established using management's best judgement to reflect the probable losses on performing loans which cannot yet be specifically identified as impaired. The general allowance is based on the Corporation's historical loan loss experience, aggregate exposure to particular industries or geographical regions and prevailing economic conditions.

The allowance for credit losses is an accounting estimate based on historical loan loss experience and an assessment of current economic conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's best estimate.

The allowance is increased or decreased by changes in the estimated net recoverable values during the current period and is reduced by recoveries and loan write-offs.

(g) Venture investments

Venture investments are recorded at cost less any write-downs to reflect impairment in value.

Gains and losses on disposal are recognized in income when realized. Where there has been a significant and other than temporary decline in value, the investment is written down to recognize the loss. Dividends from venture investments are included in revenue when declared. When they are received they are deposited to the Venture Investment Fund to be used for additional investments in venture activities.

There is no active quoted market.

(h) Assets held for sale

Assets held for sale are expected to be sold within one year. They are valued at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the assets for sale.

2. Summary of significant accounting policies (continued)

(i) Asset retirement obligations

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred and is discounted from the expected date of settlement back to its present value using the Corporation's credit-adjusted risk-free rate. The fair value of the estimated obligation is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to net income in a manner consistent with the amortization of the underlying asset. The liability amount is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of a retirement obligation are charged against the obligation to the extent of the liability recorded.

(j) Government transfers

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Government provides certain services without charge to the Corporation. The estimated cost of these services is recorded as services received without charge, which is included in government transfers, and is included in the Corporation's expenses.

(k) Employee future benefits

i) **Pension benefits:** Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) **Termination and removal benefits:** Employees are entitled to termination benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as employees render the services necessary to earn them. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates using the expected compensation level and employee leave credits.

(l) Environmental liabilities

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries.

2. Summary of significant accounting policies (continued)

(l) Environmental liabilities (continued)

The estimate of the liability is based on significant assumptions made by management, including: the likely action required to meet the appropriate legislation, regulations and industry practice; the nature and extent of past and present environmental concerns; and discount rates used. The estimate of the liability could be materially different if the key assumptions used by management for determination of the estimate vary from those planned.

(m) Tangible capital assets

Tangible capital assets are carried at cost less accumulated amortization and write-downs. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years

Tangible capital assets are reviewed for impairment whenever events and changes in circumstances suggest that the carrying amount of an asset may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

(n) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, loans receivable, venture investments, accounts payable and accrued liabilities, and the advances from the Government. These financial instruments are measured at amortized cost.

(o) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the change net financial assets during the year.

(p) Segment disclosure

The Corporation presents segment information for lending and investment and retail and manufacturing activities. Lending and investment represents the activities of the Corporation and retail and manufacturing represents the activities of the organizations the Corporation controls.

(q) Change in accounting policy

On April 1, 2012, the Corporation adopted new standards PS 2601 – Foreign Currency Translation, PS 1201 – Financial Statement Presentation and PS 3450 – Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide

2. Summary of significant accounting policies (continued)

(q) Change in accounting policy (continued)

comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Corporation's accounting policy choices.

The adoption of these new standards had no significant impact on the Corporation's consolidated financial statements.

3. Cash

Cash is comprised of cash held by the Corporation for operations, in funds and reserves established under the Act, and for employee future benefits, as well as cash held by the Corporation's organizations. Cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. Cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 1.10% during the year (2012: 1.12%).
In accordance with Section 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its lending and investing activities. The Program, Projects and Services Continuation Regulations (Regulations) of the Corporation specifies in Part 1 Section 4 (2), that a Loans and Bonds Fund will be used to record the lending operations while in Part 2 Section 19 (2), a Venture Investment Fund will be used to record the venture investment operations. Furthermore, under the Regulations Part 2 Section 18 (2), the Corporation has the obligation to continue to maintain a Capital Fund and the Subsidy Fund.

In addition to these funds, the Corporation is required under the Regulations Part 2 Sections 18 (6) and 19 (5) to establish a Capital Reserve Fund and Venture Reserve Fund respectively. The Corporation will continue to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may use the reserve funds for further investment or financing for its organizations and venture investments through approved drawdowns.

The Corporation is responsible for administering post-employment benefits including the cash held (Note 9b).

3. Cash (continued)

	000's	
	2013	2012
	$	$
Cash held by the Corporation for operations	5,793	5,420
Cash held by the Corporation's organizations	1,157	1,089
Cash held for post-employment benefits	429	405
	7,379	6,914
Venture Investment Fund	4,045	3,911
Capital Fund	873	873
Subsidy Fund	518	460
Venture Reserve Fund	485	485
Loans and Bonds Fund	484	220
Capital Reserve Fund	147	147
	6,552	6,096
	13,931	**13,010**

4. Inventories

	000's	
	2013	2012
	$	$
Inventories held for resale:		
Arts and crafts	233	205
Canvas products	84	82
Retail store	22	161
Muskox products	4	137
	343	**585**
Inventories held for use:		
Materials and supplies	**157**	**231**

During the year, no inventories were written down (2012: nil) and no inventories were pledged as security. Also during the year, the Corporation had no recoveries on inventory that had been previously written down to nil carrying value (2012: nil). Inventory write-downs and recoveries are included in the cost of goods sold.

5. Loans receivable

The Corporation provides variable and fixed rate loans for periods up to five years with the amortization period not to exceed twenty-five years.

The Corporation charges its clients prime plus 2%, 3%, or 4%, depending on the security provided, client's management ability, the client's investment, and the amortization period. The Corporation holds various types of security on its loans, including real property, aircraft, heavy equipment, and general security agreements.

5. Loans receivable (continued)

Loans receivable are expected to mature as follows:

		000's			
			2013		2012
		Rate	Balances	Rate	Balances
		%	$	%	$
Performing loans due within:	1 year	6.50	513	5.00	218
	1-2 years	5.14	5,580	6.25	729
	2-3 years	5.11	5,349	5.35	6,246
	3-4 years	5.14	18,930	5.39	6,107
	over 4 years	5.67	4,877	5.22	20,480
			35,249		33,780
Accrued loan interest receivable			173		167
Impaired loans			8,518		10,226
			43,940		44,173
Less: allowance for credit losses (Note 6)			6,429		6,432
			37,511		**37,741**

In 2013, no accounts were written off by the Legislative Assembly (2012: nine accounts totalling $772,000). One loan account representing one borrower totalling $5,000 (2012: one account totalling $9,000) was written off by the Board of Directors. In 2013, no accounts were forgiven by the Legislative Assembly (2012: eight accounts totalling $1,034,000). No accounts were forgiven by the FMB during the current year (2012: nil). In 2013, recoveries on loans previously written off totalled $23,000 (2012: $17,000).

Concentration of credit risk

Concentration of credit risk may arise from exposure to groups of debtors having similar characteristics such that their ability to meet their obligations may be affected similarly by changes in economic or other conditions. The concentrations of performing loans and impaired loans by geographic and enterprise concentrations are displayed in the following tables:

Geographic concentration

	000's			
		2013		2012
Region	Performing	Impaired	Performing	Impaired
	$	$	$	$
South Slave	17,201	3,016	15,661	3,410
North Slave	7,613	4,080	6,671	5,039
Dehcho	6,610	336	6,664	482
Inuvik	2,141	482	2,471	503
Sahtu	1,684	604	2,313	792
	35,249	**8,518**	**33,780**	**10,226**

5. Loans receivable (continued)

Enterprise concentration

	000's			
	2013		2012	
Enterprise	Performing	Impaired	Performing	Impaired
	$	$	$	$
Construction	9,307	761	6,538	1,923
Retail trade	6,943	905	7,334	1,212
Transportation and storage	4,111	90	4,129	143
Accommodations, food and beverage	3,876	2,522	4,657	2,356
Real estate and rentals	3,326	-	2,941	-
Wholesale trade	3,108	-	3,334	-
Other services	1,018	305	1,283	290
Travel and tourism	911	1,734	1,031	1,793
Manufacturing	704	-	777	-
Management of companies	535	-	611	-
Business services	464	-	361	-
Finance and insurance	380	788	201	913
Health care	378	-	386	-
Arts and craft	188	-	197	-
Oil and gas	-	1,153	-	1,307
Communication	-	131	-	152
Educational services	-	61	-	69
Fisheries and wildlife	-	57	-	58
Forestry and logging	-	11	-	10
	35,249	**8,518**	**33,780**	**10,226**

The loans receivable balance contains loans, totalling $189,000, made to venture investees (2012: $626,000). These loans are in addition to the venture investments shown in Note 7.

The following table illustrates performing loans outstanding classified by the Corporation's credit risk rating system:

	000's	
Credit risk rating	2013	2012
	$	$
Low	24,470	23,804
Medium	8,335	7,342
High	2,444	2,634
	35,249	**33,780**

5. Loans receivable (continued)

The Corporation considers a loan past due when a client has not made a payment in accordance with the payment terms. The following table presents the carrying value of loans that are past due but not classified as impaired because they did not meet the criteria of impairment:

	000's	
Loans past due but not impaired	**2013**	**2012**
	$	**$**
30 – 59 days	857	653
60 – 89 days	40	-
Over 90 days	-	51
	897	**704**

The risk exposure relating to loans is directly impacted by the clients' ability to meet their obligations. Among other factors, this ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories. To mitigate this risk, the Corporation limits the concentration of loans with any individual client. Under its regulations, the maximum the Corporation can lend to or invest in any one business enterprise or group of related enterprises is $2 million. Amounts greater than $2 million must be approved by the FMB. There were no loans approved by the FMB in 2013 (2012: nil).

6. Allowance for credit losses

	000's	
	2013	**2012**
	$	**$**
Balance, beginning of year	6,432	7,464
Provision for credit losses	317	499
Recoveries from repayments	(320)	(736)
Write-offs and forgiveness (Note 5)	-	(795)
Balance, end of year	**6,429**	**6,432**
Comprised of:		
Specific allowance	5,724	5,756
General allowance	705	676
	6,429	**6,432**

7. Venture investments

The Corporation's portfolio of venture investments is focused on providing financing in the form of preferred shares and debt to companies in the Northwest Territories. As at March 31, 2013, the Corporation does not have significant influence in the companies in which it has invested.

	000's	
	2013	2012
	$	$
Balance, beginning of year	91	104
Recoveries	114	50
Redemptions	(127)	(63)
Balance, end of year	**78**	**91**

The total cumulative venture investments at March 31, 2013 was $1,912,000 (2012: $2,034,000) with accumulated write-downs of $1,834,000 (2012: $1,943,000).

Preferred shares and dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Investment yields vary from year to year due to the amount and timing of the dividends received.

8. Asset held for sale

The asset held for sale is real property acquired in fiscal 2011 in settlement of a loan receivable, and was sold in the current fiscal year. A write down of $22,000 was recorded in fiscal 2012.

9. Post-employment benefits

(a) Pension benefits

Substantially all of the employees of the Corporation are covered by the Plan (Note 2(k)(i)). Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 2.00%, (2012: 2.00%). The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Plan for the year were as follows:

	000's	
	2013	2012
	$	$
Corporation's contributions	249	262
Employees' contributions	116	112

9. Post-employment benefits (continued)

(a) Pension benefits (continued)

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada Pension Plan and they are indexed to inflation.

(b) Termination and removal benefits

The Corporation provides termination benefits to employees based on years of service and final salary (Note 2(k)(ii)). The Corporation also provides removal assistance to employees, as provided under labour contracts. This benefit plan is pre-funded from current contributions and recognized as part of cash.

	000's	
	2013	2012
	$	$
Post-employment benefits, beginning of year	405	378
Cost for the year	14	27
Post-employment benefits, end of year	**419**	**405**

10. Advances from the Government

The Act authorizes the Corporation to borrow, for the purpose of providing financial assistance to or making investments in business enterprises, up to $150 million from the Government through advances. Increases to the outstanding balance of the advances must be approved by the FMB based on the needs of the Corporation. The balance was not to exceed $45 million (2012: $45 million) as at March 31, 2013.

Interest on the advances is based on the rate set during the last week of each month for the Government of Canada 3-year bonds, compounded annually. The rate varied from 1.0% to 1.5% (2012: 1.0% to 2.1%) during the year.

11. Asset retirement obligations

	000's	
	2013	2012
	$	$
Balance, beginning of year	105	97
Accretion expense	-	9
Decrease due to disposal of tangible capital assets	(61)	(1)
Additions during the year (Note 21)	221	-
Balance, end of year	**265**	**105**

The asset retirement obligations relate to the estimated costs of demolition, removal of structures, and site remediation associated with various buildings. No amount has been paid during the year related to the asset retirement obligations.

12. Environmental liability

In 2012, the Corporation recorded its best estimate of anticipated future costs for environmental remediation related to a property owned by one of its organizations which incurred an oil leak on its property. During the year, the Corporation engaged an engineering firm to remediate the property, and the actual cost was $18,000. The balance of the accrual has been reversed in the current year.

	000's	
	2013	2012
	$	$
Balance, beginning of year	35	-
Payments	(18)	-
Accretion expense	-	-
Estimate revisions	(17)	35
Balance, end of year	**-**	**35**

13. Government transfers

	000's					
	2013			2012		
	Lending	Retail/ Manufacturing	Total	Lending	Retail/ Manufacturing	Total
	$	$	$	$	$	$
Government:						
Operations and maintenance	2,326	1,199	**3,525**	2,733	980	**3,713**
Services received without charge (Note 18)	879	100	**979**	842	112	**954**
Capital contributions	-	-	**-**	71	-	**71**
	3,205	1,299	**4,504**	3,646	1,092	**4,738**
Federal programs	175	-	**175**	99	-	**99**
	3,380	**1,299**	**4,679**	**3,745**	**1,092**	**4,837**

During the current fiscal year the Corporation had surplus funding of $303,000 (2012: nil). A stipulation included in the agreement is for any unspent funds to be repaid to the Government. This amount has been recorded in accounts payable and accrued liabilities at year end.

14. Expenses by object

	000's					
	2013			2012		
	Lending	Retail/ Manu-factur-ing	Total	Lending	Retail/ Manu-factur-ing	Total
	$	$	$	$	$	$
Accretion, asset retirement (Notes 11 and 21)	(61)	221	**160**	2	7	**9**
Advertising and promotion	20	16	**36**	7	27	**34**
Amortization	-	127	**127**	7	136	**143**
Bad debts (recovery)	(1)	1	**-**	-	2	**2**
Bank charges and interest	2	21	**23**	2	21	**23**
Board members	44	2	**46**	38	3	**41**
Business Development Fund	242	-	**242**	243	-	**243**
Business Service Centre	97	-	**97**	86	-	**86**
Computers and communications	14	21	**35**	15	21	**36**
Cost of goods sold	-	855	**855**	-	656	**656**
Flood expense (Note 21)	-	352	**352**	-	-	**-**
Interest expense on advances from the Government	374	-	**374**	469	-	**469**
Loss on disposal of tangible capital assets	-	12	**12**	-	-	**-**
Office and general	109	52	**161**	126	121	**247**
Professional services	225	95	**320**	85	103	**188**
(Recovery) provision for environmental liability	-	(17)	**(17)**	-	35	**35**
Recovery of credit losses, net	(3)	-	**(3)**	(238)	-	**(238)**
Rent	201	31	**232**	216	22	**238**
Salaries and benefits	2,518	479	**2,997**	2,636	673	**3,309**
Supplies	-	37	**37**	-	67	**67**
Training and workshops	33	-	**33**	16	-	**16**
Travel	94	90	**184**	66	109	**175**
Utilities	-	134	**134**	-	130	**130**
Write-down of asset held for sale	-	-	**-**	22	-	**22**
Write-down of tangible capital assets	-	11	**11**	-	-	**-**
	3,908	**2,540**	**6,448**	**3,798**	**2,133**	**5,931**

15. Commitments

As at March 31, 2013, loans to businesses, approved but not yet disbursed, totalled $1.8 million at a weighted average interest rate of 4.3% (2012: $4.9 million at a weighted average interest rate of 5.1%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2013, contributions to businesses approved but not yet disbursed totalled $10,000 (2012: $34,000).

16. Contingencies

Loans

The Corporation has six outstanding loans to three Northern Community Futures organizations for their own lending purposes totalling $1,000,000 (2012: four outstanding loans totalling $913,000). Loans provided by these three organizations may be assigned to the Corporation when impaired. If assigned, the Corporation would then write off the Northern Community Futures organization loan balance and would attempt to recuperate its loss directly from the borrowers. In 2013, no accounts were assigned to the Corporation (2012: nil).

Letters of credit

The Corporation has five outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $2,450,000 and expire in 2013. Payment by the Corporation is due from these letters in the event that the applicants are in default of the underlying debt. To the extent that the Corporation has to pay out to third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. Each letter of credit is secured by promissory note, general security agreement, guarantee or collateral mortgage. During the year, no payments were made (2012: nil).

17. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations and public agencies. The Corporation enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services are provided without charge (Note 18).

Transactions with related parties during the year and balances at year end are as follows:

	000's	
	2013	2012
	$	$
Revenues		
Sales	8	28
Government transfers (Note 13)	4,504	4,738
Expenses		
Purchases	147	255
Interest on advances from the Government	374	469
Balances at year end		
Accounts receivable	26	11
Accounts payable and accrued liabilities	549	220
Advances from the Government	30,372	32,203

18. Services received without charge

The Corporation records the estimated cost of services provided by the Government without charge. Services received without charge from the Government include regional and human resource services and office accommodation. The estimated cost of such services is as follows:

	000's	
	2013	2012
	$	$
Staff support	762	740
Accommodation	217	214
	979	**954**

19. Budgeted figures

Budgeted figures have been derived from the budgets approved by the FMB and the Corporation's Board of Directors. The budget figures for the Corporation's organizations have been approved by the Corporation's senior management.

The 2013 and 2012 budgeted expenses are as follows:

	000's					
	2013			2012		
	Lending	Retail/ Manufacturing	Total	Lending	Retail/ Manufacturing	Total
	$	$	$	$	$	$
Accretion, asset retirement	5	17	**22**	5	17	**22**
Advertising and promotion	50	29	**79**	65	26	**91**
Amortization	5	140	**145**	18	78	**96**
Bad debts	-	5	**5**	-	21	**21**
Bank charges and interest	-	24	**24**	-	23	**23**
Board members	58	5	**63**	95	3	**98**
Business Development Fund	300	-	**300**	300	-	**300**
Business Service Centre	97	-	**97**	-	-	**-**
Computers and communications	100	23	**123**	110	24	**134**
Cost of goods sold	-	898	**898**	-	763	**763**
Freight and courier	-	20	**20**	-	73	**73**
Interest expense	475	-	**475**	520	-	**520**
Office and general	60	43	**103**	75	38	**113**
Professional services	100	108	**208**	200	111	**311**
Provision for credit losses, net	500	-	**500**	500	-	**500**
Rent	240	18	**258**	230	17	**247**
Repairs and maintenance	-	26	**26**	-	28	**28**
Salaries and benefits	2,810	625	**3,435**	2,670	628	**3,298**
Supplies	-	50	**50**	-	75	**75**
Travel	100	120	**220**	100	130	**230**
Utilities	-	144	**144**	-	170	**170**
	4,900	**2,295**	**7,195**	**4,888**	**2,225**	**7,113**

20. Risk Management

The Corporation is exposed to the following risks as a result of holding financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations.

The risk associated with cash is minimized substantially by ensuring that these financial assets are placed with well-capitalized financial institutions.

Credit granting and loan management are based on established credit policies. The maximum exposure to credit risk from borrowers and investees is limited to the carrying amount of the loans and investments. The Corporation's management of credit exposures from borrowers and investees includes:

- a standardized credit risk rating classification system established for all loans;
- credit policies and directives, communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
- independent review of loan applications in excess of $1 million; and,
- limiting the concentration of loans and investments with any one business enterprise or group of related enterprises to $2 million. Amounts greater than $2 million must be approved by the FMB.

The principal collateral held as security and other credit enhancements for loans include: (i) real estate; (ii) equipment; (iii) corporate and personal guarantees; and (iv) assignment of leases.

As at March 31, 2013, $690,000 (2012: $1,435,000) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments. There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2013:

	000's	
	2013	2012
	$	$
Cash	13,931	13,010
Accounts receivable	169	113
Loans receivable	37,511	37,741
Venture investments	78	91

20. Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the future cash flows of the advances from the Government, fluctuations in the fair value and future cash flows of loans receivable, and interest revenue from cash.

The Corporation's borrowing from the Government is based on a variable market rate and it lends to the majority of its clients at fixed term rates. The Corporation's interest rate margin or spread widens when interest rates fall and it narrows when interest rates rise.

The Corporation manages its interest rate risk by paying down the advances from the Government with excess cash available from the Loans and Bonds fund.

Based on the Corporation's advances from the Government as at March 31, 2013 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease net income by $131,000 (2012: $134,000). A 100 basis point decrease in interest rates would increase net income by the same amounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Corporation manages its liquidity risk by regularly monitoring forecasted and actual cash flows.

The advances from the Government are due on demand with no fixed repayment terms. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes (Note 10).

21. Flood

In June of 2012, the community of Nahanni Butte experienced severe flooding. Due to this flooding the Nahanni Butte General Store Ltd. building was damaged. Flood expense relates to the clean-up and removal of all damaged items from the building (Note 14).

The Corporation has recorded a liability for an asset retirement obligation of $221,000, which represents the legal and contractual obligations associated with the estimated cost of demolition and removal of existing building and general site restoration (Note 11).

22. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets

Schedule A
000's

	Land	Buildings	Equipment	Leasehold Improve-ments	Computer Equipment	Vehicles	March 31, 2013	March 31, 2012
	$	$	$	$	$	$	$	$
Cost of tangible capital assets, opening	82	4,072	857	449	30	50	5,540	5,202
Acquisitions	-	12	-	-	-	-	12	339
Disposals	-	(1,127)	(20)	-	-	(32)	(1,179)	(1)
Cost of tangible capital assets, closing	82	2,957	837	449	30	18	4,373	5,540
Accumulated amortization, opening	-	3,849	752	254	30	50	4,935	4,793
Amortization expense	-	14	35	78	-	-	127	143
Disposals	-	(1,115)	(19)	-	-	(32)	(1,166)	(1)
Write-down of tangible capital assets	-	11	-	-	-	-	11	-
Accumulated amortization, closing	-	2,759	768	332	30	18	3,907	4,935
Net book value	**82**	**198**	**69**	**117**	**-**	**-**	**466**	**605**